

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6218**

**BILL NUMBER: HB 1144**

**NOTE PREPARED: Jan 2, 2012**

**BILL AMENDED:**

**SUBJECT:** Prekindergarten Pilot Program Funding.

**FIRST AUTHOR:** Rep. Day

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the cigarette tax by \$0.04 per pack for calendar years 2013 through 2020, and requires the amount of the increase to be deposited in the Prekindergarten Pilot Program Fund. It makes conforming changes to the cigarette tax allocation percentages.

The bill permits charter schools to participate in a prekindergarten pilot program that was authorized in 2007 but never funded. (Current law excludes charter schools from participating in the program.) It requires the Department of Education to begin making grants with the 2013-2014 school year. The bill also postpones the expiration of the program from 2014 to 2021. It establishes the Prekindergarten Pilot Program Fund. This bill appropriates money in the fund to the Department of Education.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:** The bill annually appropriates the money in the Prekindergarten Pilot Program Fund established under current statute to be used by the Department of Education for preschool grants. The amounts in the fund will come from a \$0.04 per pack cigarette tax increase for CY 2013 through CY 2020. Based on revenue estimates outlined below (see *Explanation of State Revenues*), the fund could receive approximately \$13.7 M annually from the tax for CY 2013 through CY 2020.

**Background Information** - The bill establishes the Prekindergarten Pilot Program Fund to be used by the Department of Education to provide grants for the existing Prekindergarten Grant Pilot Program. The bill changes the expiration date of the program under current statute from July 1, 2014, to July 1, 2021. Under the bill, the Fund consists of revenue from the Cigarette Tax, appropriations by the General Assembly, and

gifts and grants. (See *Explanation of State Revenues* for description of Cigarette Tax funding.) The bill also provides that money in the Fund does not revert to the state General Fund.

The Prekindergarten Grant Pilot Program was established under P.L. 234-2007 (the biennial budget bill). Under current statute, an eligible provider for pilot program grants is a school corporation or any entity providing a prekindergarten program that is accredited by the National Association for the Education of Young Children. A provider must apply to the Department for a grant to serve students who are at least four years of age on September 1 of the school year in either a half-day or full-day program. Currently, the Department has not made any grants due to the lack of available funds.

**Explanation of State Revenues:** This bill is estimated to increase cigarette tax revenue by approximately \$13.7 M annually through 2020. The bill increases the cigarette tax rate by \$0.04 per pack and directs all new revenues from the rate increase to be deposited in the Prekindergarten Pilot Program Fund, while holding all the other funds in the cigarette tax distribution formula “harmless.” The revenue estimate is based on the December 14, 2011, State Revenue Forecast. Under the bill, cigarette tax revenue would be distributed as follows.

	<b>Before Jan 1, 2013</b>	<b>Jan 1, 2013, to June 30, 2013</b>	<b>July 1, 2013, to Dec 31, 2020</b>	<b>After Dec 31, 2020</b>
<b>General Fund</b>	60.24%	58.55%	52.97%	54.5%
<b>Mental Health Fund</b>	0.60%	0.58%	0.58%	0.60%
<b>Cigarette Tax Fund</b>	4.22%	4.10%	4.10%	4.22%
<b>Pension Relief Fund</b>	5.43%	5.28%	5.28%	5.43%
<b>Medicaid Reimbursements</b>	2.46%	2.40%	2.40%	2.46%
<b>State Retiree Health Trust Fund</b>	0.00%*	0.00%*	5.58%	5.74%
<b>Check-Up Plan</b>	27.05%	26.30%	26.30%	27.05%
<b>Prekindergarten Pilot Program Fund</b>	N/A**	2.79%	2.79%	N/A**

Notes:

\* HEA 1001-2011 moved the revenue to be deposited to the State Retiree Health Benefit Plan to the state General Fund for FY 2012 and FY 2013.

\*\* Cigarette tax funding for the Prekindergarten Grant Pilot Program is effective from January 1, 2013, to December 31, 2020.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** See *Explanation of State Expenditures*.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Local schools; Entities accredited by the National Association for the Education of Young Children.

**Information Sources:** Revenue Technical Committee Forecast (December 14, 2011).

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